

A guide to

Cask Investment

CASK
MASTER



Contents

Introduction to Cask Master	4
The Whisky Market	5
About Whisky Casks	8
Why Invest in Casks	9
Investment Potential	10
Invest Today	11
How it Works	12
Exit Strategies	13
Why Cask Master	14
Frequently Asked Questions	15

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Introduction to Cask Master

As fine art and antique silver specialists, we have over 10 years of knowledge and experience in valuing, trading and managing alternative assets. Originally starting with art and British antiques silver, we entered the whisky market in 2019 after it became the top Knight Frank asset class that year. Our aim is to create a real trading marketplace for individual casks of whisky in Hong Kong facilitating the buying and selling of casks amongst independent bottlers, investors and enthusiasts. We have assembled a strong team of passionate whisky professionals including masters of cask trading, collectors and whisky connoisseurs to guide you on your whisky journey.

Together with our partners in the UK, Cask Master is an ethical whisky investment company with appropriate documentations and certifications to enable us to safely store and manage casks across the United Kingdom on behalf of customers around the world.

We have an exceptional stock list of fully owned casks, offering a wide variety of single malt whisky of different sizes, ages and finishes. Available casks are specially chosen and hand-picked by our whisky partners from distilleries across Scotland.

We are able to ensure quality control by managing the evolution of a cask, including sampling, health checks, re-gauging and re-racking approximately every five years.

We offer multiple exit strategies, including: reselling to other investors, selling to our network of independent bottlers, listing your cask for sale on our stock list, or putting it up for auction.

We intend to make the whole experience of owning a cask an enjoyable and profitable journey.

Our new venture reduces risk with the appropriate documentation and certificates.



The Whisky Market

The global demand for Scotch whisky has always outstripped supply. 2019 was a record year for the whisky market. Exports of Scotch rose by 5% to a record £4.9 billion. In 2018, it hit £4.7 billion in the first half of the year.

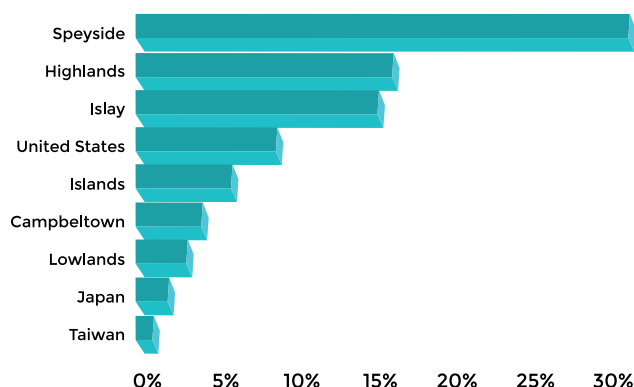
Recently during COVID-19, the export value dropped for the first time to £3.8 billion pounds in 2020, owing to the UK lockdowns and the harsh US tariffs on UK exports. However, we expect to see a rebound with the relaxation of these tariffs coupled with the growing popularity of the spirit's global consumption.

Alongside gold, whisky is seen as one of the safest and most secure assets. In 2021, the worldwide whisky market was valued at \$61.78 billion USD and is expected to reach \$95.9 billion USD by 2026 (Global Newswire 8th December 2020). This entire market is expected to grow at a compound annual growth rate (CAGR) of 6.5% from 2019 - 2026).

Bottles

According to Knight Frank over the last 10 years, the rarest whisky bottles have risen 478%, this is the biggest percentage change in a decade out of all other alternative asset classes. A new record was set on the 17th February, 2020 with Whisky Auctioneers who sold a 1926 The Macallan 60-year-old Valerio Adami bottle for \$1,073,366 USD at an auction. This was the first time that a million dollar whisky was sold online in a whisky auction, indicating, what we believe, is great growth to come.

Global Whisky Region Marketshare

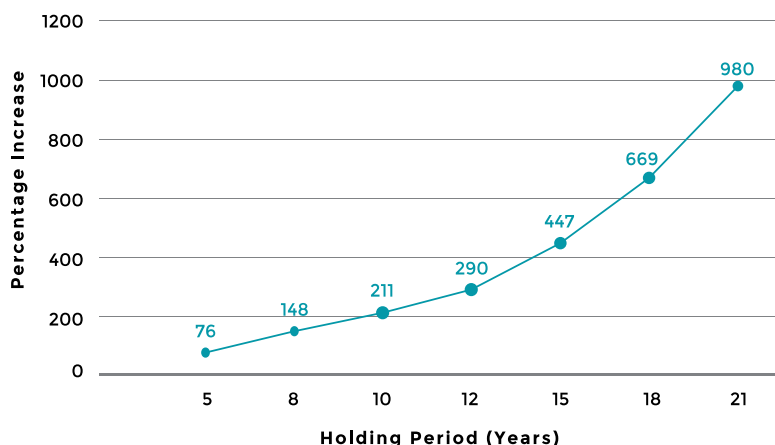


Casks

In 2019, the most expensive cask ever sold was The Macallan 30-year-old sherry hogshead by Bonhams Hong Kong for \$4.46 million HKD (\$572,000 USD) (Spirits Bushen 2021). This cask had 261 bottles, which works out to \$17,088 HKD per bottle, and represents a record breaking addition to The Macallan brand.

However, in two years on the 20th August 2021, Bonhams Hong Kong broke another record by selling a 30 year old cask from The Macallan for £420,000 (\$4.48M HKD) (Bonhams 2021). In comparison, this cask had 202 bottles, which is \$22,099 HKD per bottle.

Estimated Scotch Whisky Cask Percentage Increase Over Holding Period





With 0% tax on investing in casks over bottles and a weak Sterling, this brief slump has further increased the appetite for investment to grow exponentially from outside of the UK.

Based on Knight Frank's data in 2020 there has been a -1% overall drop in their Luxury Index across all markets. In comparison, over the 10 year period, rare whisky bottles are still in the first position as the top performing Knight Frank Luxury Index asset at the end of the year.

There are currently 22 million casks of whisky maturing in Scottish bonded warehouses, with new distilleries being built and several legendary distilleries, once closed, have now been restored to full working condition.

0% tax when investing in casks instead of bottles

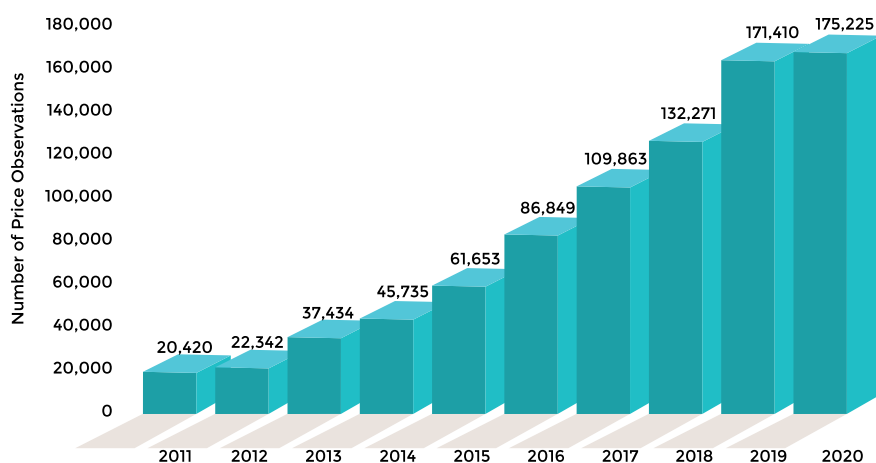
During Covid-19, whisky dropped in value for the first time by 2.7% due to auction closures during the UK lockdowns. However, we found that this only spurred further investment from home with more people having time on their hands and this allowed rare whisky to finish the year 2020 with a 5% increase overall.

This shows that whisky performs independently of the financial markets. With the FTSE losing 953 points (-12.7% from 2019) and the DOW losing 8,000 points from 12th February to March 2020, finishing up at 1,145 points, with a total of 4.7%, but still behind whisky.

Global Whisky Market Bottle Growth (2011-2020)

According to WhiskyStats.com, the overall whisky market graph was compiled based on observing up to 175,000 bottles. Owing to COVID lockdowns and the pausing of several whisky auctions (both online and in-person), the year 2020 has only just surpassed 2019. What's positive, is that this figure keeps on climbing despite severely restricted growth, but as with most other industries, we are seeing a big rebound in 2021 thanks to numerous record-breaking auctions and sales. For example, in January 2021, Bonham's Hong Kong sold a 72 year old Glen Grant decanter bottled by Gordon & MacPhail for \$421,600 HKD.

Global Whisky Market Bottle Growth (2011-2020)





Most expensive
whisky bottle ever
sold in an auction
was US\$1.9 million



About Whisky Casks

One major factor that has a crucial effect on the flavour of a whisky is the cask in which it is matured. Whilst the production process gives the whisky 20-30% of its style and flavour, the taste is very much dependent on elements being extracted from the oak.

As bourbon can only be matured in brand new oak casks in the US, there is a plentiful supply of oak barrels from Kentucky. Barrels are medium sized casks that contain approximately 200 litres of spirit. As a result, the majority of Scotch whisky is matured in bourbon barrels. These barrels are perfectly suited to maturing scotch whisky due to their availability and affordability. Furthermore, the bourbon that they previously held for 2-3 years softens the oak, ensuring a smoother and subtler whisky.

Bourbon barrels are made exclusively from American Oak, which gives whisky a honeyed and vanilla characteristic. This flavour is imparted by natural sugars within the wood, as well as the chemical compound 'vanillin' that is also present in vanilla pods.

However, sherry butts are becoming increasingly desirable, as previous use in sherry production imparts a distinctive colour and strong rich flavour.

They are amongst the largest used in Scotch production at around 500 bulk litres. Sherry casks are traditionally made of European oak, which has a tighter grain than American oak and imparts a slightly drier, spicier characteristic.

Flavours prevalent in the sherry that have been absorbed by the wood are imparted to the maturing whisky. For example, Pedro Ximenez casks give whisky a deep, rich, sweet flavour and dark colour, whereas Oloroso casks impart a drier, nuttier flavour.

Much rarer than sherry casks, 'Port Pipes' are European oak casks similar in size and shape to Sherry casks. They impart port wine's sweetness and tannin, often resulting in a sweet, rich and silky final product. Previously used in the production of wine, most wine barriques are made from European oak. Barriques from renowned vineyards, such as first-growth Bordeaux, can be extremely desirable.

The size and types of wood barrels used to store the whisky will have a direct effect on taste and flavour

Why Invest in Casks

Excellent returns

The best performing alternative asset class, with estimated accumulative short term returns of 50%, medium term of 80%, and long term of 140%+.

Safe and secure

Our casks are only held in government bonded warehouses in Scotland which are HMRC regulated. All changes or movements of casks require permits granted by HMRC.

Limited supply

Each cask is unique, and not something we recommend for you to buy online! No two casks will ever be the same, so it's essential to purchase from a reputable source.

No tax on casks

With casks as an asset, you will not pay any VAT, duty or capital gains tax. This is only charged when bottling (approx. £10 per 70cl). Each cask (depending cask size and age) has 150-800 bottle per cask.

Investment realisation

Our multiple exit strategies and global client base ensure a hassle-free exit from your investment.

Maturing in value

Time is on your side. Whisky only matures in the cask. The older and more mature a whisky, the greater the value.

Distilleries need investors

With mounting costs for providing secure storage, the quality of products, paying staff, buying grain, importing barrels. Many distilleries especially smaller ones, cannot afford cask maturation, so they need investors to help.

A taste of your own asset

With rare whisky bottles, you may want to store it and keep it as an asset to sell one day. Once you open the bottle, you will not be able to sell it, so no matter how great the bottle you own, you will not be able to taste it. On the other hand, if you own your own cask, you can request a sample bottle and taste your investment, without affecting the maturity of your cask. This way you can keep track of the taste profile of your asset.



Investment Potential

Although the cask market does not have an official index similar to gold or wine, we have access to historic data based on the price per litre of single malt whisky every year since the late 1980's. This data changes from one distillery to the next based upon their reputation and brand value. Each cask is unique and possesses many variables such as the distillery, age, cask type, finish, strength and volume.

All casks naturally experience evaporation over the years, a loss of liquid otherwise known as the "Angel's share". The whisky, whilst it is "sleeping", it also gradually evaporates and reduces in alcoholic strength. Through the process of whisky maturation casks will lose between 0.5-2% a year and owing to the handmade nature of each cask, it is therefore hard to guarantee the exact taste, colour and ultimately the number of bottles.

The metric we can use to predict the eventual price per bottle of the whisky is based on the benchmark upon bottling of cask strength single malt releases from around the world.

Our whisky investment specialists can assist you with a personalised portfolio of different casks to diversify your investment. Each of our specialists track sales history from the distilleries we work with, as well as advising on the percentage of ABV to offer casks with the best potential for consideration.

One of our whisky investment specialists can guide you to create a customised portfolio to fit your taste, style and budget



Invest Today

At Cask Master, we are flexible to our client's needs and wishes, and are able to tailor portfolios for all budgets and duration of hold. The idea of a balanced portfolio is to have multiple different whiskies, cask types, ages and exit points suited to your personal requirements.

Decide on your goals

Establish whether you are purchasing for investment, for pleasure, or a combination of the two.

Get in touch with us today

As casks are selling so quickly these days, our stock does not last. Every time we source rare items, it sells in days and sometimes hours. To ensure that you take full advantage of our stock list, contact us directly so that our whisky specialists can assist you to determine a type of cask that will best suit your taste and budget.

Decide on your hold time

We will advise you as to which casks should be held for a short term (5 years), medium term (5-7 years) and long term (7-10 years).

How It Works?



1 Pick

Decide on your aims, budget and hold time and we'd be delighted to advise you on your selection.



2 Purchase

Having received payment, we will issue you with your certificate of ownership and quality verification.



3 Protection

All casks are stored in HMRC regulated bonded warehouses to undergo maturation and are insured to guarantee a secure investment in your whisky cask.



4 Patience

By the time the whisky matures in the cask, it takes on significant flavour and complexity. The value of whisky increases the longer you keep it in a cask.



5 Profit

Our multiple exit strategies and global client base ensure you will get the best return on your investment.





Exit Strategies

Selling at the right time

Our whisky investment consultants will let you know when it's a good time for you to sell your cask to get the most return for your investment.

Private Sale

Through our network of clients and potential investors, we can match you with a buyer when the time is right.

Whisky Community

With the best contacts in the International whisky market, we can sell your cask to independent bottlers or whisky traders.

Online Auctions

We work with a dedicated international cask auction platform which holds several online auctions a year.

Bottling

Bottling your own cask is a romantic notion, however, you will need to take into account the logistics and costs of labelling, bottle types, packaging, freight, customs and other expenses. You may end up with over 200 bottles requiring storage and distribution handling.

On the upside, you have total customisation over your bottles including using crystal decanters and personalised labels with your own names and images.

Why Cask Master?

- ◆ We have a large inventory of unique single casks that have been carefully selected by notable whisky distillery partners.
- ◆ Our quality casks are from renowned distilleries and are perfect for short or long-term investments, giving the best possible returns.
- ◆ Ethical pricing for all buyers with HMRC regulations.
- ◆ In-depth portfolio management.
- ◆ Recommendations on exit strategies to maximise your returns.
- ◆ Conduct whisky valuations.
- ◆ Ability to sample a wide range of Scotch whiskies and to learn about the thriving whisky market.



Frequently Asked Questions

How long can I store my cask for?

It depends on the current ABV% of the cask. To be bottled as Scotch it must be above 40% ABV so you can either look to sell the cask when it gets close to this figure, or based on your investment goals, sell to another investor after a minimum of 5 years to walk away with a solid return.

Why is re-gauging important?

You may request to re-gauge your cask to check the condition of your whisky during the prime years. This will determine the ABV (alcohol by volume) and LOA (litres of pure alcohol) and if it's ready to be bottled. Depending on the character of the liquid, you may want to re-rack it to another cask, such as sherry, bourbon or first filled cask to give it more flavour and colour.

What Are The Storage Charges?

Storage costs are between £30 - £80 per year, but may vary depending on the warehouse and cask size.

Can I ship my cask?

Once a cask leaves Scotland it can no longer be called Scotch whisky so we strongly recommend not moving your cask to other countries as the value will decrease significantly.

How do I know it's real?

Due to strict government control, each cask has a paper trail and a unique cask WOWGR number (Warehousekeepers and Owners of Warehoused Goods Regulations) that is issued by the HMRC. Our transactions are transparent and HMRC regulated with each cask coming with a certificate of ownership.

What should I expect for Angel's Share?

In Scotland around 0.5-2% of the total liquid will evaporate each year. This will mean that over the years the ABV and the OLA (Original Litres of Alcohol) will decrease slightly when you ask to have your cask re-gauged. We recommend doing this a minimum of once every five years. A sample can be drawn at the same time.

What happens if the distillery closes down?

This is good news. Not only would your cask investment goes up because the production has stopped, but since your cask is your asset, it will remain in a bonded warehouse. For example when Caperdonich distilleries closed, we saw a significant increase in value of their casks since production had stopped.





CASK MASTER

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